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MEMORANDUM

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NATIONAL SECURITY COUNCIL

ACTION

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June 23, 1976

~~TOP SECRET/SENSITIVE ATTACHMENT~~

MEMORANDUM FOR BRENT SCOWCROFT

FROM:

JOHN J. TAYLOR  
RICHARD H. SOLOMON  
CLINTON E. GRANGER

SUBJECT:

U.S. Security Assistance to the Republic  
of China (NSSM 212)

In your March memorandum to the President on U.S. force reductions on Taiwan you stated that we would soon be sending to him recommendations on our future arms transfer policy toward Taiwan. You indicated we expected to make recommendations on this issue that would offset in some measure our proposed force drawdown. Therefore we believe it appropriate to seek an early decision on our arms transfer policy.

We have received the updated recommendations and comments by State, Defense, and CIA on the options that the NSSM 212 study presented. This memorandum surveys important background considerations, and reviews policy options and agency recommendations. Finally, we provide our own views and suggest a recommendation to the President.

Background

In October 1974 the NSC directed a study of U.S. policy on the transfer of American military equipment to the Republic of China over the next three to five years. The study examined:

- The threat to the security of Taiwan over this period.
- The roles of U.S. and ROC forces in deterring and defending against a possible PRC attack on Taiwan and the Pescadores.
- In light of these roles, the principal deficiencies in ROC defensive capabilities.

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-- Policy options for further transfers of U.S. military equipment to the ROC, taking into account both the defense needs of the ROC and the constraints posed by the continuing normalization of U.S. -PRC relations.

(Tab H)  
We received the response to NSSM 212 in November 1974 and agency recommendations in January 1975. Secretary Kissinger delayed making a decision on his recommendation to the President on this issue, and we consequently delayed consideration of a number of arms sales requests from the ROC.

In the fall of 1975 we received Secretary Kissinger's permission to approve some of the outstanding sales requests. The Secretary, however, continued to defer decision on the policy issue in NSSM 212.

In March 1976 the NSC requested from State, Defense, and CIA updates on their recommendations and comments on the options in NSSM 212. The new recommendations were to take account of developments during the previous year and the recent completion of studies relevant to the issue:

-- CIA's intelligence appraisal, "Capabilities of Opposing Forces in the Taiwan Strait" (Tab E).

-- CIA's study, "PRC Military Options in the Taiwan Strait and the South China Sea in 1976" (Tab F).

-- And an inter-agency intelligence memorandum, "Prospects for Arms Production Development in the Republic of China" (Tab G).

#### Political Security Context

As State points out in its most recent recommendation, one of the most difficult aspects of our China policy is the question of ROC access to U.S. military equipment which, together with political factors, would be sufficient to maintain a credible deterrent against a PRC attack. This issue may well be crucial in determining whether Taiwan successfully weathers normalization of our relations with the PRC. At the same time, arms transfers to the ROC have the potential for placing a substantial strain on our developing relationship with the PRC.

#### ROC View

The ROC appears to recognize that political factors -- the PRC's stake in good relations with the U.S. and Japan and continuing Sino-Soviet

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tension -- are increasingly important elements in stability in the Taiwan Strait area. Nevertheless, the view which will continue to permeate ROC society for the foreseeable future is that the island's survival is dependent upon a military deterrent. Taipei may hope that political developments in the U.S. will forestall or delay U.S. military withdrawals but it probably assumes that reductions in U.S. force levels, MAP phase-out and FMS cuts will continue. There has thus been a marked expansion of ROC efforts to increase domestic arms production, develop new weapons systems, and find non-U.S. sources of modern weapons and advanced technology. This effort has had only limited success. A recent inter-agency intelligence memorandum on the subject came to the following conclusions:

-- As domestic military production programs advance, Taiwan should be able to reduce somewhat its dependence on the United States.

-- The ROC, however, appears to have little prospect of becoming self-sufficient in arms production within the next decade.

-- The ROC will thus continue to be heavily dependent on foreign sources for modern weaponry and ordnance.

-- The ROC has found several countries outside the U.S. that are willing to sell arms and technology in certain fields, but they do not constitute a reliable source of major weapons.

-- The ROC appears to be achieving some success in its nuclear, missile, and chemical warfare programs, although none of these programs will contribute significantly to Taiwan's military capabilities for at least several years.

In sum, for the foreseeable future the ROC will be dependent on the U.S. as its source of modern weapons. Continued U.S. willingness to provide logistic support will thus be a vital factor in Taiwan's sense of security.

#### Peking's Viewpoint

We do not know with precision the extent to which at any given time our military relations with the ROC is an obstacle to normalization of relations with the PRC. U.S. arms supplies are only one variable in a more complicated equation in which other aspects of the relationship between Washington on the one hand and Taipei and Peking on the other as well as the overall international situation, are all factors.

Peking obviously does not desire that U.S. support for the ROC should be offered at a level that might cause the leadership in Taipei to conclude that it is essentially invulnerable to pressures. At the same time, there have been indications from Peking that it does not wish our relationship to the island -- of which arms supplies is one aspect -- to be reduced so fast that others would be tempted to intervene or that uncontrollable changes on the island became likely.

#### The PRC Military Threat to Taiwan

Although the significant imbalance of forces available to the PRC and ROC is essentially unchanged, the recent intelligence estimates reflect a lower threat to Taiwan than that portrayed in the NSSM 212 study. In particular, the December 1975 inter-agency study concludes that the PRC would be unable to mount a successful non-nuclear invasion of Taiwan much before 1980. The study estimates, for example, that the PRC would need some 70 divisions for a successful invasion. A naval blockade could, however, succeed if the PRC were willing to stop or sink foreign merchantships. Neither of the studies sees much near-term likelihood of a major military confrontation between the PRC and the ROC.

Despite an advantage in fighter aircraft of about 1600 to 275, the PRC would suffer enormous losses in air combat with the ROC. If it were prepared to pay the price, the PRC could establish air superiority in about ten days. The recent approval of the extension of the ROC's F-5 coproduction program with Northrop for an additional 80 aircraft will bring the total production under this arrangement to 200. This program should enable the ROC air defense to maintain its relative position through the early 1980's.

The ROC Navy, possibly the weakest link in the island's defense, has the most immediate need for improvement. Its ships are greatly outnumbered by the PRC and are vulnerable and inferior, particularly against Peking's high-speed patrol boats carrying styx-missiles. This situation has stimulated the ROC request for the Harpoon missile system. The navy's poor communications equipment hampers its coordination with the air force, which itself lacks a capability against ships. The disparity in capabilities between the PRC and the ROC navys will probably widen in the next three to five years.

#### Policy Options

The NSSM 212 response presents four basic options:

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-- Option 1: Completely cut off access to U.S. equipment, either immediately or gradually over the next three to five years. Such a drastic step would clearly cause a shattering of ROC confidence, and possibly lead to disintegration of social order and desperate acts, which could complicate rather than ease U.S. -PRC relations.

-- Option 2: Freeze ROC access to U.S. arms at current price and levels; replace only items already in inventory; and prohibit the supply of new weapons. Implementation of this option would, over the three to five year period, lead to a substantial deterioration of ROC military capabilities relative to the PRC.

--Option 3: Provide limited ROC access to new weapons. The NSSM study presents this option in a lower and an upper range.

- The lower range would permit the ROC access to additional and new weapons which would not be likely to provoke the PRC. Provocative weapons would be those which the PRC might believe would give Taiwan a clearer technological superiority or would alter the current relative military balance. See Annex C II to Tab D for an illustrative list of weapons which the lower range of Option 3 would permit us to sell to the ROC.

- The upper range would give greater weight than the lower range to preserving ROC confidence in U.S. intentions and helping the ROC cope with growing PRC military capabilities. See Annex C III Tab D for an illustrative list of equipment in this range.

-- Option 4: Allow substantial ROC access to new weapons, including late model precision guided munitions, as well as F-16 or F-18 aircraft. Under this option we would permit the ROC to attempt to maintain or enhance its military capabilities relative to those of the PRC. Such a policy could of course threaten the whole process of normalization of U.S. - PRC relations and the wider U.S. objectives associated with it. The PRC would also likely view this course as an increased threat to it and might augment its own forces in the area.

#### Departmental Views

(Tab B)

In its recent memorandum/ approved by Secretary Kissinger, State says that it continues to support the lower range of Option 3. Actually, State has modified its previous position and now recommends approval of some items in the upper range if requested by the ROC:

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-- The ASCRO anti-submarine missile and

-- Limited quantities of less sophisticated models of laser-guided missiles.

On the other hand, State recommends against even limited numbers of Harpoon missiles, an item listed in the lower range. State opposes sale of the Harpoon because its technology is more advanced than the Chinese counterpart, the Styx missile. State believes early model laser-guided missiles would adequately fill the anti-ship mission of the Harpoon.

The Department of Defense continues to recommend approval of all items in the upper range of Option 3.

#### Our View

As noted in the NSSM study, both the ROC and the PRC will view our handling of this issue as an indicator of the relative importance the U.S. attaches to each. Nevertheless, their reactions to what we do in this sphere may be asymmetric. As an example, the ROC would regard a significant restriction on its present access to weapons as a serious matter, while the PRC response might not be equivalently favorable.

Looking ahead to normalization, we can assume that the Chinese will drive a hard bargain on the issue of our security ties to Taiwan. At a minimum, they will probably insist that we withdraw all U.S. military forces and installations, and that we declare our Mutual Security Treaty ended as of the date of our recognition of the PRC. Our minimum condition presumably will be Chinese agreement to or acquiescence in a combination of measures, statements and situations that provide reasonable assurance of a continued peaceful environment for Taiwan.

As part of a normalization agreement, any U.S. administration, we believe, would insist on the right of continued commercial arms sales to Taiwan that would allow Taiwan to retain a relatively high cost-inflicting military deterrent. Thus, the position we take on the NSSM 212 study will set the general approach of our policy on arms sales to Taiwan, and will lay the basis for essential discussions with Peking on this issue as part of an overall normalization deal.

Maintenance in Taiwan of a reasonable level of confidence in its self-defense capability is necessary for a stable transition in U.S. political-security relations with Taipei. It is also important at the time of

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normalization that the U.S. show that while -- because of unique circumstances -- it is ending a Mutual Defense Treaty, it has taken care to provide the ally concerned assurances of a peaceful future and a reasonably adequate defense.

We believe the distinction between the two ranges in Option 3 is somewhat obscure and must in practice be resolved through specific decisions on concrete weapons systems which the ROC indicates it wishes to purchase. We favor Option 3, but with a broader definition that would combine some of the descriptive elements of both ranges.

We recommend that the President direct that our future arms transfer policy toward the ROC be one of "limited ROC access to new weapons" within the context of avoiding serious complications in our relations with Peking. We would define such a policy as intended to permit the ROC to obtain new military equipment and technology so long as provision of that equipment or technology:

- did not in our best judgment pose a serious threat to our normalization policy with Peking;

- was essentially defensive in nature;

- did not alter the existing military balance in the Taiwan Strait quantitatively or qualitatively, and

- did not contribute to the ROC's nuclear, long-range/intermediate missile, or chemical warfare development programs.

The objective of this policy would be to help the ROC maintain a reasonably high cost --inflicting defense capability against the PRC but not necessarily to maintain the current relative balance between ROC and PRC forces. While we would be prepared to risk some PRC displeasure over our actions in the arms supply area, we would give high priority to avoiding serious problems in our relations with Peking.

Where possible, we would encourage the ROC to buy from third country sources. Under this policy, we would continue to make a careful case-by-case examination of all ROC requests, keeping in mind that the extent

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to which any weapons system met our criteria might well change, either over time or because of other changes in the relationship between the U.S. and the two Chinese parties.

RECOMMENDATION:

That you sign the memorandum at Tab I to the President, which conveys for his approval the NSDM at Tab A.

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